



Explore StarTran Management and Funding Options

ACTIVITY PURPOSE AND OVERVIEW

This MMT activity calls for the completion of additional research into alternative management structures and funding options for StarTran. This research is needed to ensure the long term administrative oversight and financing of StarTran is stable and well positioned to meet the transportation challenges of a growing community.

This work activity would include the preparation of a formal analysis intended to assess the viability, benefits, and costs of various management structures, and to consider alternative funding sources for StarTran's operating and capital budgets.



ACTIVITY DESCRIPTION

As presently configured, StarTran operates as a division within the City of Lincoln's Public Works and Utilities Department. Management of the system is handled by an administrative staff of twelve individuals, with the system's General Manager reporting directly to the Director of Public Works and Utilities.

In turn, the Director of Public Works and Utilities is directly accountable to the Lincoln Mayor and Lincoln City Council, who provide policy guidance and funding support. A five member citizen board – appointed by the Mayor with approval of the City Council – also provides general oversight of the system, including forwarding recommendations to the elected officials on operating and service policies and procedures, such as fare rates, routes, and service levels. As a division of a city department, StarTran only operates within the city limits.

Annual **operating expenses** for StarTran came to around \$7.65 million during Fiscal Year 2003-2004. These funds are used to support the approximately 1.62 million miles of service

supplied by StarTran last year. Of the annual budget figure, the City of Lincoln provides about two out of every three dollars. These funds come from the City's "general fund" account, which is comprised primarily of local property and sales tax revenues. Under the present structure StarTran effectively "competes" with other general government services (such as police, fire, libraries, etc.) for local tax dollars to support its operation. This subjects its annual budget process to continuing uncertainty as it attempts to plan future services and capital requirements.

The second largest funding source for StarTran are the users of the system, with **fare box revenues** topping the \$1.3 million figure last year. This source accounts for about **seventeen percent** of StarTran's total annual operating budget. Additional operating funds are received from the Federal Transit Administration (\$1.07 million) and the State of Nebraska (\$0.15 million.) An increase of funding from these two governmental sources is not anticipated, and could even decreased over the next several fiscal years.

On the **capital side** of the financial ledger, StarTran continues to utilize a combination of Federal and local (i.e., City of Lincoln) funding -- no State funds are shown for use in the StarTran proposed Capital Improvements Program (CIP) for the next 6 years. For the FY 2004/05 through FY 2009/10 period, StarTran is projecting the acquisition of approximately 27 full size buses at a total cost of about \$7.8 million. This accounts for a little less than three quarters of the StarTran capital budget over this period. Other proposed capital improvements include support vehicles, maintenance tools and equipment, Handi-Van vehicle replacement, building repair, and an AVL system to track the location of buses in the field. Overall, Federal funding accounts for about 80 percent of StarTran's capital budget.



This MMT activity is designed to place attention on the long term stability of StarTran as the City's primary transit operator. This would be accomplished through exploration of alternative ways to manage and fund the system's operation. Within this context the term "manage" refers to system ownership and policy setting responsibility, and not the direct day-to-day administration of the service. The balance of this section looks at a number of management options and concludes with a brief consideration of various funding issues.

Management Options

The review of management options for StarTran should consist of a four tiered process: (1) Define Evaluation Criteria; (2) Identify Management Options; (3) Apply Criteria and Evaluate Options; and (4) Recommend Best Management Approach.

(1) Define Evaluation Criteria

The initial step in the StarTran management review should be to delineate a set of criteria for



use in judging the various options to be considered. This criteria should employ industry accepted standards and be oriented toward public sector management analyses. The criteria should be understandable and easy to apply. A written description of each element should be prepared and accepted by all parties participating in the analysis. Qualitative and/or quantitative criteria could be used depending upon the merits of each criteria.

Some of the factors to be considered in reviewing alternative management oversight structures for StarTran could include:

- (1) provide greater assurance of a stable funding source allowing a higher level of predictability from year to year and thus facilitating service planning and delivery;
- (2) remove the operation from budgetary competition with other City "general revenue funded" services, thus freeing up municipal funds for other services;
- (3) allow for periodic bonding of capital needs as necessary;
- (4) establish an effective funding limit since the annual budget projections would be based on available Federal and State funds and assessed valuations; and,
- (5) afford contracting with other entities for the provision of services, most notably the rural areas of Lancaster County.

(2) Identify Management Options

Following the establishment of the evaluation criteria, a series of management options should be identified. While not necessarily limited to the following, the options to possibly consider include:

- ◆ Maintain Status Quo – Keeping StarTran as a division within the City's Public Works and Utilities Department would logically stand as the base option. This option might serve as the management structure against which the other alternatives are compared. This structure provides a "real world" basis for considering how the management of StarTran is performed today.
- ◆ Lincoln Transportation Department – An option suggested by some members of the Multi-Modal Transportation Task Force is creating a "Lincoln Transportation Department." This Department would likely be a part of the City of Lincoln and – like the Department of Public Works and Utilities and other city departments – report directly to the Mayor and City Council. The department would presumably encompass more than just the present StarTran operation. In addition to public transit services, such a department might also include traffic operations, MPO transportation planning functions, and parking operations and enforcement.
- ◆ Joint Public Agency (JPA) – Under the Nebraska Joint Public Agency Act, the City of Lincoln could presumably join with Lancaster County to create a "Joint Public Agency" (JPA) for the purpose operating a transit system. Under this Act, two or more public

agencies (with both "cities" and "counties" included under the Act) may join together to "perform any governmental service, activity, or undertaking which at least one of the participating public agencies is authorized to perform, subject to the same procedures, regulations, and restrictions as the participating public agency which is granted the power by law to perform the governmental service activity or undertaking."

In addition to allowing two or more agencies to perform a specific public service, the Nebraska legislation also provides for JPA to have limited taxing authority. An Agency, for example, may levy such taxes as a property tax, an occupation tax, or a wheel tax. A JPA cannot, however, levy a local option sales tax. Additionally, there are limitations on how much a JPA can levy. This is notably the case with property taxes, which are tied back to the tax limits of the agencies creating the JPA – in this case the City and County.

A JPA also has independent authority to issue bonds. These may be revenue bonds or general obligation bonds in accordance with the specific provisions of the Act. Payment of the bonds may be done using revenues from taxes the Agency is granted authority to levy.

- ◆ Transit Authority – Nebraska State Statutes (Neb. Rev. State. 14-1801, et. Seq.) currently provide for the creation of "transit authorities" – but only for cities and counties of the "metropolitan class." At the present time, only the City of Omaha (and by Statute adjacent counties and cities) is classified as a city of the "metropolitan class," and thus it is the only jurisdiction in the State authorized to create and operate a "transit authority."

Under the provisions and guidelines set forth in this legislation, the City of Omaha and the surrounding jurisdictions have created "Metro Area Transit," or MAT. MAT began operating service to Omaha and Council Bluffs, Iowa, on July 1, 1972 and remains the area's prime transit operator. Service contracts have since been added over the years to include such communities as Bellevue, Ralston, LaVista, and Papillion.

The Nebraska State Statutes ascribe certain powers to a "transit authority." The primary charge given to an authority is "To acquire, lease, own, maintain, and operate for public service a public passenger transportation system, excluding taxicabs and railroad systems, within and without a city of the metropolitan class."

The Statutes go on to assign a range of general powers to transit authorities allowing them to function as a independent public corporation. Transit authorities created under this Statute operate with the direction of a five member board, who has the authority to determine routes, service levels, and fares. The Authority is empowered to employ such staff as is needed to provide public transportation services to a defined service area. The Statutes allow the Authority to acquire capital stock needed in delivering such services and can borrow money and enter into agreements for grants and other public funding. The Authority may also levy – within certain Statutory limits – taxes to provide funds for the operation of the system.



Key factors in completing this review of a possible transit authority for the greater Lincoln area include:

- ♦ State authorization needed to allow the City of Lincoln to create such an authority and the means for obtaining such authorization;
- ♦ Procedural steps required to establish an authority;
- ♦ Status of present StarTran employees during the transitional period and subsequently as the authority begins operation;
- ♦ Provision of support services needed by the authority, such as personnel, purchasing, legal, etc.
- ♦ Transfer of rolling stock, real property, and other assets;
- ♦ Jurisdictional relationships and the service delivery area.



(3) Apply Criteria and Evaluate Options

Once the alternatives to be evaluated have been clearly identified and described in sufficient detail, the evaluation criteria agreed-to in step No. 1 should be applied to each alternative. This will include an impartial analysis of the relative merits of each option, including its benefits and weaknesses. A written summary should then be prepared of this comparative analysis.

(4) Recommend Best Management Approach

Based on the written evaluation of each option, the alternatives should be ranked in order of most favorable to least favorable. To the degree that certain options are felt to be not viable, this should be stated in writing. If possible, a single "best management approach" should be recommended with a clearly stated rationale for why this option is the preferred approach. The final summary should also include a blueprint for implementing the preferred approach, including clearly stated assignments of responsibility, time lines, and other factors pertinent to the implementation of this option.

Operating and Capital Funding Options

Public transportation funding is both simple and complex. Simple in that there are very few options available to most transit operators to pay for operating their service; and complex in that these few options must be used creatively and efficiently to ensure a quality level of service to the riding public.

The recommended funding analysis approach entails two major activities: (1) explore the array of funding options to assess their stability and potential; and (2) create a "fare box recover goal" for setting service priorities.

(1) Funding Options Analysis

As noted above, the array of operating and capital funding options available to StarTran is frankly very limited. There are only a handful of alternative means for StarTran to generate funding, short of creating an entirely new and dedicated funding source. Specific actions StarTran should consider include:

- ◆ **Maximize Federal Financial Support** – StarTran does now and should continue to aggressively pursue as much Federal financial support as possible. This task needs to be coordinated closely with the Mayor's Office, but should be included as part of any discussions the City may have with Federal officials, with both the legislative and executive branches of the government. This should also include seeking earmarked appropriations for facility and other capital development, and work to support legislation allowing for the innovative and flexible use of Federal transportation dollars. The City's Washington lobbyist should also continue to be involved in discussions on how Federal funds can be used to their fullest in supporting continued StarTran operations.
- ◆ **Pursue Discussions with State Officials** – The State of Nebraska has shown very limited willingness to support transit operations in the State. One report notes that the State transit funding in FY 2003 was about 92 cents per capita per year. This is in contrast to some adjacent states such as Kansas and Iowa who support transit at levels of \$2.20 and \$3.23 per capita – and pales in comparison to such Midwest states such as Michigan and Minnesota who are contributing \$20.00 and \$45.00 per capita each year in supporting public transit. While the near term prospect for State transit funding may appear faint, discussions with State officials – especially for possible support to rural transit service operations – should continue.
- ◆ **Continue Financial Relationship with UNL** – StarTran and the University of Nebraska-Lincoln have worked closely in recent years to find ways to fund StarTran services supporting the transportation needs of UNL faculty and students. This relationship has proven beneficial to both entities. A shuttle service between the University's Downtown and East Campuses – StarTran Route No. 24 – operates from 7:00 a.m. to 6: p.m. during the school year and is one of the system's most utilized lines. In return, the University contributes about \$290,000 per year to support the operating cost of the service, with an additional sum of about \$87,000 to support a StarTran bus replacement program. StarTran should continue to work with UNL to ensure the long term viability of this arrangement and pursue other opportunities with the University to enhance services and funding support for transit.
- ◆ **Support Special Services Coordination Pilot Program** – As described elsewhere in this report, Lincoln is about to embark upon a three-year special transportation services pilot program. The goal of this program is to coordinate the services offered by four to



six existing Lincoln-area transportation providers. By sharing training, maintenance, insurance, and operating expenses, it is expected that cost savings can be realized for all of the operators participating in the program. The program is being managed through the League of Human Dignity, in close cooperation with StarTran and a number of local providers. If this endeavor is successful, long term savings can be realized in the provision of special transportation services. A City financial contribution during the second and third year of the program should be considered if the necessary private sector and not-for-profit funding does not materialize.

- ◆ Undertake Funding Options Assessment – The StarTran Advisory Board and StarTran staff should be charged with the task of examining how StarTran operations are funded today and exploring alternative means for ensuring a sustainable funding mechanism into the future. This assessment could be done in conjunction with the consideration of alternative StarTran management structures. This assessment may include investigating ways to be more cost efficient and to cut operating and capital costs. The funding options assessment should be completed within a year from the issuance of this report. The Board's findings should be reported directly to the Mayor of the City of Lincoln for consideration by the Mayor and City Council.

(2) Fare Box Recovery Target

StarTran – as with every other public transportation operator in the United States – does not recover all of its operating and capital costs from its ridership. All U.S. transit systems receive some sort of assistance, typically from the Federal, State and/or local government. StarTran's fare box revenues of around \$1.3 million account for about seventeen per cent of StarTran's annual operating expenses. This places StarTran generally below the average "fare box recovery" level for peer group cities, which stands at almost 20 percent.

The Multi-Modal Transportation Task Force recommends the Mayor, City Council, and StarTran Advisory Board set a StarTran "fare box recovery target" of 25 percent. StarTran should work to achieve this target over the next two City fiscal years. Accomplishing this goal should be mitigated against the service enhancements (i.e., extended evening hours, enhanced service on Saturdays and Sundays, and modified fringe area operations) also being recommended by the Task Force.

The target of recovering 25 percent of its operating expenses from users of the system will require StarTran to provide appealing and responsive transit services, carefully marshal its resources, maintain a strong marketing program, consider the increase of fares, and eliminate under-producing services. The StarTran Board should provide the Mayor and City Council with a report approximately every six months on the progress being made to obtain this goal. This periodic report should include a summary of the actions undertaken to move the system toward this level of user contribution.

ACTIVITY TIME LINE AND RESPONSIBILITY

Research into future management and funding alternatives for StarTran is a critical activity and should be completed within one year of the issuance of the Multi-Modal Transportation Study Final Report. Such a schedule should allow sufficient time to adequately review the conditions and circumstances under which potential changes could be instituted.

The study should include a range of participants drawn from elected officials (Mayor, City Council members, and potentially County Board members), the StarTran Advisory Board, StarTran administrators, public transit users, bus operators, UNL administrators, representatives from other local public transportation operations, and representatives from the community at-large.

The study should also involve staff support from StarTran, Lincoln Public Works and Utilities Department, Lincoln Mayor's Office, County Administration, City Finance Department, City Attorney's Office, County Attorney's Office, Human Services Department, City's and County's Legislative Lobbyists, and the City-County Planning Department.

The responsibility for completing the study should be assigned to a single entity as determined by the Mayor's Office. The study should be undertaken using existing staff with outside assistance utilized only for specialized assistance as appropriate.

Should the study recommend establishing a new agency or authority, the creation of such an entity may take several years to undertake. If the study recommends – and the elected officials agree to pursue – the creation of a new agency or authority, then efforts should proceed immediately to put in place the recommendations of the study. It is assumed these follow up actions will occur in the near term time frame.

ACTIVITY RESOURCE NEEDS

No additional resources are anticipated to be needed at this time for completing this MMT Action item. The analysis can be undertaken using existing City staff. Should the managers of this study determine additional outside specialized assistance is necessary and/or desirable, applicable budget funds would need to be identified.